

**ST. TAMMANY PARISH
COMMUNICATION DISTRICT NO. 1
ST. TAMMANY PARISH, LOUISIANA**

Annual Financial Statements

December 31, 2009

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7/21/10

Contents

Independent Auditor's Report	1 - 2
-------------------------------------	--------------

Required Supplemental Information (Part I) Management's Discussion and Analysis	4 - 8
---	--------------

Basic Financial Statements

Government-Wide Financial Statements	
Statement of Net Assets	10
Statement of Activities	11

Fund Financial Statements

Governmental Fund	
Balance Sheet	13
Statement of Revenues, Expenditures and Changes in Fund Balance	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of the Governmental Fund to the Statement of Activities	15

Notes to Financial Statements	16 - 25
-------------------------------	---------

Required Supplemental Information (Part II)

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	27
--	----

Other Supplemental Information

Schedule of Governing Board	29
-----------------------------	----

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	30 - 31
--	----------------



Independent Auditor's Report

To the Board of Commissioners
St. Tammany Parish Communication District No. 1
Covington, Louisiana

We have audited the accompanying financial statements of the governmental activities and the major fund of St. Tammany Parish Communication District No. 1 (the District), a component unit of the St. Tammany Parish Council, as of and for the year ended December 31, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of St. Tammany Parish Communication District No. 1 as of December 31, 2009, and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 6, 2010 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, beginning on page 4, and the budgetary comparison schedule on page 27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The accompanying schedule of governing board listed under Other Supplemental Information is presented for purposes of additional analysis and is not a required part of the financial statements of St. Tammany Parish Communications District No. 1. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



A Professional Accounting Corporation

May 6, 2010

REQUIRED SUPPLEMENTAL INFORMATION (PART I)
MANAGEMENT'S DISCUSSION AND ANALYSIS

**ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1
COVINGTON, LOUISIANA**

Management's Discussion and Analysis

The following discussion and analysis of fiscal operations for the year is intended to supplement the annual financial audit completed by LaPorte Sehr Romig Hand. This discussion will supplement the audit information and provide an explanation of the financial operations of St. Tammany Parish Communication District No. 1 (the District). This document is not intended as a replacement of the financial audit, nor is it intended to be a duplication of that report. Rather, it is an attempt to restate various components of the audit in laymen's terms and offer understanding of the District's financial posture.

The audit for 2009 is an analysis of the management practices followed by the Commissioners and the staff, and indicates no questioned costs or practices by the District. This analysis will explain the financial decisions made by the Commissioners and how they relate to the operation of the District and the public safety agencies. The operations of the District are designed to compliment and supplement, but not replace, the operations of the various public safety agencies in St. Tammany Parish (the Parish).

This is the sixth year that the District is following the revised format for the annual audit. An audit of a special purpose District in Louisiana provides a unique combination of government-wide financial statements and the more familiar fund financial statements. This analysis will discuss both types and it will also explain the differences in the information each provides.

The "Statement of Net Assets" is essentially a balance sheet presented in a format similar to that which one would expect to see for a business rather than a governmental entity. This statement shows capital assets (less the accumulated depreciation taken on these assets) included in Total Assets. The "Balance Sheet - Governmental Fund" shows the value of cash, receivables, and investments, but does not reflect the value of other assets. This "Balance Sheet - Governmental Fund" is provided to show a clearer picture of the short-term financial position and is very similar to what is commonly referred to as government fund accounting. The "Balance Sheet - Governmental Fund" shows the potential funds that the District has at its disposal, along with the various restrictions placed on some of these funds, to assist in planning future actions that will require the expenditure of funds.

Funds that are invested in capital assets, such as furniture, computer equipment, the 911 telephone system, or real estate, are not funds that are readily available for use, and the dollar amount listed for capital assets does not necessarily reflect the current market value of these assets. For example, if the District were to sell the 911 equipment or computers, there is a very strong likelihood these would not bring the amount paid to purchase and install the equipment (less the depreciation deducted since the purchase). Conversely, the value of real estate could well have appreciated in value and be worth more than the amount reflected on the financial statements. In any case, these values are not something that can be readily converted into cash and that cash then be used to purchase other assets, such as equipment for the new communications center. For these reasons the "Balance Sheet - Governmental Fund" is provided to show more clearly the funds that are available to the District that could perhaps be used for such purchases.

**ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1
COVINGTON, LOUISIANA**

Management's Discussion and Analysis

Please note on the "Balance Sheet - Governmental Fund" that some of the funds are listed as reserved or designated for certain uses. The funds previously designated as "Reserved - Construction" are funds from the bonds issued by the District in 2003. Their usage was restricted by the terms of that offering to construction of the new communications center. This construction project has now been completed, with the funds expended for the restricted purpose and no longer appearing on the financial statement. The funds previously marked as "Designated for Construction" are additional funds that the Board had specifically set aside for this construction project and were not considered available for other uses. These funds have also now been expended for their designated purpose and no longer appear on the financial statements. This construction project was the new communications center which was completed and occupied in March 2007.

The funds marked "Designated for System Upgrade" are committed by the Board to be used for upgrades to the 911 system itself. This system upgrade was also completed in the spring of 2007, and the funds expended for the designated purpose. However, with this project completed, the Board considered it prudent to once again begin setting aside funds for equipment upgrades, and voted to designate \$250,000 each year for this purpose. The 2007 financial statements reflect the expenditure of funds for the 2007 upgrade as well as the designation of the first year of the equipment replacement reserve.

The funds marked "Designated for Contingency" were specifically dedicated by the Board to be set aside and reserved for unplanned system emergencies, should these occur. These funds are not available for other projects. Finally, the funds marked "Unrestricted, Undesignated" are not currently designated to any particular project and may be used at the Board's discretion.

It might be helpful to note that, at the bottom of the "Balance Sheet - Governmental Fund", there are entries to show net assets by adding in the current depreciated value of capital assets and removing long-term liabilities (the bond issue). These were not shown as a current liability because their repayment is pledged by future income and will not be repaid using current funds designated for other uses, but are reflected in "Net Assets of Governmental Activities" to show the long-term financial picture.

**ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1
COVINGTON, LOUISIANA**

Management's Discussion and Analysis

The following is a summary of the Statements of Net Assets:

**Condensed Statements of Net Assets
As of December 31, 2009 and 2008**

	2009	2008	Change
Total Current Assets	\$ 2,954,988	\$ 2,632,652	\$ 322,336
Non-Current Assets			
Capital Assets, Net	<u>3,362,712</u>	<u>3,741,003</u>	<u>(378,291)</u>
Total Assets	<u>6,317,700</u>	<u>6,373,655</u>	<u>(55,955)</u>
Current Liabilities	<u>43,465</u>	<u>41,645</u>	<u>1,820</u>
Long-Term Liabilities	<u>325,000</u>	<u>480,000</u>	<u>(155,000)</u>
Total Liabilities	<u>368,465</u>	<u>521,645</u>	<u>(153,180)</u>
Net Assets			
Invested in Capital Assets,			
Net of Related Debt	<u>3,037,712</u>	<u>3,261,003</u>	<u>(223,291)</u>
Unrestricted	<u>2,911,523</u>	<u>2,591,007</u>	<u>320,516</u>
Total Net Assets	<u>\$ 5,949,235</u>	<u>\$ 5,852,010</u>	<u>\$ 97,225</u>

The "Statement of Activities" is a summarized income statement where interest on the bond issue is shown as one entry and all other expenses related to the operation of the 911 system (Public Safety) are listed as a combined item. These expense and revenue items are then shown as a net change for the year, along with the beginning and ending value of the net assets that reflect the impact of the year's activity.

**ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1
COVINGTON, LOUISIANA**

Management's Discussion and Analysis

The following is a summary of the Statements of Activities:

**Condensed Statements of Activities
For the Years Ended December 31, 2009 and 2008**

	2009	2008	Change
Operating Grants and Contributions	\$ 10,352	\$ -	\$ 10,352
General Revenues			
Fees	3,311,029	3,378,079	(67,050)
Miscellaneous	22,943	490	22,453
Interest and Investment Earnings	8,207	69,015	(60,808)
Total Revenues	3,352,531	3,447,584	(95,053)
Public Safety	3,241,219	3,146,553	94,666
Interest on Long-Term Debt	14,087	16,495	(2,408)
Total Expenses	3,255,306	3,163,048	92,258
Change in Net Assets	97,225	284,536	(187,311)
Total Net Assets, Beginning of Year	5,852,010	5,567,474	284,536
Total Net Assets, End of Year	\$ 5,949,235	\$ 5,852,010	\$ 97,225

The "Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund - General Fund" is an income statement in a format that more closely resembles that of the annual budget. It shows expenses detailed by various categories, and shows the Parish reimbursements as income items rather than as a reduction in expense.

Net capital assets decreased by \$378,291. This was the result of depreciation of \$482,496, which was greater than capital asset additions of \$104,205.

Total long-term debt decreased by \$155,000 during the year ended December 31, 2009. This was the result of the regularly scheduled debt payments.

**ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1
COVINGTON, LOUISIANA**

Management's Discussion and Analysis

In conclusion, the accompanying audit provides a very detailed examination of the financial practices of St. Tammany Parish Communication District No. 1, and the various financial statements indicate that the District has a solid financial foundation. They demonstrate that the Commissioners have taken the proper steps to maintain financial stability as the District moves forward in assisting the Parish in a major upgrade of the emergency communications, and that adequate funding is available to complete the projects as planned. The District Commissioners, working through their staff, have clearly demonstrated the existence of a sound plan for the management of the District's fiscal resources.

Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Executive Director, 510 East Boston Street, Suite 200, Covington, LA 70433.

**BASIC FINANCIAL STATEMENTS
GOVERNMENT-WIDE FINANCIAL STATEMENTS**

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1
Statement of Net Assets
December 31, 2009

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$ 1,948,907
Investments	502,950
Receivables	503,131
Capital Assets, Net of Accumulated Depreciation	<u>3,362,712</u>
Total Assets	<u>6,317,700</u>
Liabilities	
Accounts Payable	23,411
Payroll Liabilities	20,054
Non-Current Liabilities	
Due Within One Year	160,000
Due in More than One Year	<u>165,000</u>
Total Liabilities	<u>368,465</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	3,037,712
Unrestricted	<u>2,911,523</u>
Total Net Assets	<u><u>\$ 5,949,235</u></u>

The accompanying notes are an integral part of these financial statements.

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1
Statement of Activities
For the Year Ended December 31, 2009

		<u>Program Revenue</u>	<u>Net (Expenses)</u>
	<u>Expenses</u>	<u>Operating Grants and Contributions</u>	<u>Revenues and Changes in Net Assets</u>
Governmental Activities			
Public Safety	\$ 3,241,219	\$ 10,352	\$ (3,230,867)
Interest on Long-Term Debt	14,087	-	(14,087)
Total	<u>\$ 3,255,306</u>	<u>\$ 10,352</u>	<u>(3,244,954)</u>
General Revenues			
Fees			
Cellular Line			1,836,379
Line User Fees			1,455,233
Voice Over IP			19,417
Interest and Investment Earnings			8,207
Miscellaneous Income			<u>22,943</u>
Total General Revenues			<u>3,342,179</u>
Change in Net Assets			97,225
Net Assets, Beginning of Year			<u>5,852,010</u>
Net Assets, End of Year			<u>\$ 5,949,235</u>

The accompanying notes are an integral part of these financial statements.

**FUND FINANCIAL STATEMENTS
GOVERNMENTAL FUND**

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1
Balance Sheet
Governmental Fund
December 31, 2009

	General Fund
Assets	
Cash and Cash Equivalents	\$ 1,948,907
Investments	502,950
Receivables	<u>503,131</u>
Total Assets	<u><u>2,954,988</u></u>
Liabilities	
Accounts Payable	\$ 23,411
Payroll Liabilities	<u>20,054</u>
Total Liabilities	<u><u>43,465</u></u>
Fund Balance	
Unreserved, Designated for:	
Contingency	500,000
System Upgrade	750,000
Unreserved, Undesignated	<u>1,661,523</u>
Total Fund Balance	<u><u>2,911,523</u></u>
Total Liabilities and Fund Equity	<u><u>\$ 2,954,988</u></u>
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Assets	
Total Fund Balance	\$ 2,911,523
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	 <u>3,362,712</u>
Long-term liabilities, including certificates of indebtedness, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	 <u>(325,000)</u>
Net Assets of Governmental Activities	<u><u>\$ 5,949,235</u></u>

The accompanying notes are an integral part of these financial statements.

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
For the Year Ended December 31, 2009

	General Fund
Revenues	
Line Income	
Cellular	\$ 1,836,379
Land Line	1,455,233
Voice Over IP	19,417
Intergovernmental Revenue	10,352
Investment Earnings	8,207
Miscellaneous Revenue	<u>22,943</u>
Total Revenues	<u>3,352,531</u>
Expenditures	
Public Safety	
911 System	2,182,468
Personnel	418,168
General	158,087
Debt Service	
Principal Retirement	155,000
Interest and Fiscal Charges	14,087
Capital Outlay	<u>104,205</u>
Total Expenditures	<u>3,032,015</u>
Net Change in Fund Balance	320,516
Fund Balance, Beginning of Year	<u>2,591,007</u>
Fund Balance, End of Year	<u><u>\$ 2,911,523</u></u>

The accompanying notes are an integral part of these financial statements.

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balance of the Governmental Fund
to the Statement of Activities
For the Year Ended December 31, 2009

Net Change in Fund Balance - Total Governmental Fund	\$ 320,516
--	------------

Amounts reported for governmental activities in the Statement of
Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(378,291)
--	-----------

The issuance of long-term debt (e.g., certificates of indebtedness) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	155,000
--	---------

Change in Net Assets of Governmental Activities	<u><u>\$ 97,225</u></u>
--	-------------------------

The accompanying notes are an integral part of these financial statement.

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

The mission of St. Tammany Parish Communication District No. 1 (the District) is to shorten the time required for a citizen to request and receive emergency aid. The District is mandated to take whatever actions are necessary to accomplish this task. The accounting and reporting policies of the District conform to accounting principles generally accepted in the United States of America applicable to governmental entities. The following is a summary of significant accounting policies:

Reporting Entity

The District was created in 1986 by Ordinance 687 of the St. Tammany Parish Council. The District is governed by a Board of Commissioners, which are appointed by the St. Tammany Parish Council. The Board is composed of seven members. Board Members are nominated for selection by the St. Tammany Parish Council as follows: one member nominated by the Parish Council, one member nominated by the St. Tammany Parish Sheriff's Office, one member nominated by the Parish hospitals, two members nominated by the Municipal Law Enforcement Agencies and two members nominated by the Fire Protection Districts. A chairman is elected by the Board members for a period of one year.

As the governing authority of the Parish, for financial reporting purposes, the St. Tammany Parish Council is the financial reporting entity for St. Tammany Parish. The financial reporting entity consists of (a) the primary government (the Government), (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the St. Tammany Parish Council for financial reporting purposes. The basic criterion for including a potential component unit with the reporting entity is financial accountability.

The District is a component unit of the Parish Council because it appoints all members of the District and, as such, is financially accountable for the District. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the Government, the general government services provided by that governmental unit, or the governmental units that comprise the financial reporting entity.

Basis of Presentation

The accompanying basic financial statements of St. Tammany Parish Communication District No. 1 have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financial statements have been prepared in conformity with GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*.

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for the governmental funds.

Fund Financial Statements

The District uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions and activities. A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts. The only fund of the District is classified as governmental. The emphasis on fund financial statements is on major funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the District or its total assets, liabilities, revenues, or expenditures of the individual governmental fund is at least 10 percent of the corresponding total for all governmental funds.

The District reports the following major governmental fund:

The General Fund is the primary operating fund of the District. It accounts for all the financial resources except those that are required to be accounted for in other funds.

Measurement Focus / Basis of Accounting

The amounts reflected in the governmental fund financial statements are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach is then reconciled, through adjustment, to the government-wide financial statements.

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement Focus / Basis of Accounting (Continued)

The amounts reflected in the governmental fund financial statements use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers all revenues available if they are collected within 60 days after the fiscal year-end. Expenditures are recorded when the related fund liability is incurred, except for interest and principal payments on general long-term debt, which are recognized when payment is due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

The government-wide financial statements are accounted for using an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets and financial position. All assets and liabilities (whether current or non-current) associated with their activities are reported.

The government-wide financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of the timing of related cash flows.

Pursuant to LRS 33:9106 and Act 1029 of the 2000 Regular Session of the Louisiana Legislature, the District is authorized to collect the following service charges per subscriber per device per month within the District:

Residential	\$1.00
Voice Over IP	\$1.00
Commercial	\$2.00
Wireless	\$0.85

Service charges are collected by the District on a monthly basis and are considered measurable at the month of collection. Accordingly, service charges incurred in December 2009, and remitted in 2010, have been reported as a receivable.

Budgets and Budgetary Accounting

The District has adopted a budget for its General Fund. The budgetary practices include notice of the proposed budget, public inspection of the proposed budget and public hearings on the budget prior to adoption. Any amendment involving increases in expenditures must be approved by the District. Budgeted amounts in the accompanying financial statements include all amendments. All budgeted amounts which are not expended or obligated through contracts lapse at year end.

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents and Investments

Cash includes amounts in interest-bearing demand deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the municipality may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Under state law, the municipality may invest in United States bonds, treasury notes or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are stated at their fair market value.

Accounts Receivable

Accounts receivable at December 31, 2009, consists of service charges due from telephone companies. These receivables are considered to be fully collectible.

Capital Assets

All capital assets of the District are recorded at historical cost and are reported in the governmental column in the government-wide financial statements. Depreciation of all exhaustible fixed assets is charged as an expense against their operations. The District was given a building that serves as a training center for the 911 operations. This building was built in the early 1980's and, through a calculation using a square footage formula, a reasonable estimate of the building's value was calculated at \$540,000.

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. The District capitalizes equipment and furniture in excess of \$2,500. The following estimated useful lives and methods are used to compute depreciation:

Building	30 Years	Straight Line
Leasehold Improvements	15 Years	Straight Line
Furniture, Fixtures and Equipment	5 - 7 Years	Straight Line
Computers	3 - 7 Years	Straight Line
Vehicles	5 Years	Straight Line

Depreciation expense amounted to \$482,496 for the year ended December 31, 2009.

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Assets. In the fund financial statements, the face amount of the debt issued is reported as other financing sources. Expenditures for principal and interest payments for long-term obligations are recognized when paid.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

Use of Restricted/Unrestricted Net Assets

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the District's policy is to apply restricted net assets first.

Equity Classifications

In the government-wide financial statements, equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt - consist of capital assets including restricted assets, net of accumulated depreciation, and reduced by the outstanding balances of bonds or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b. Restricted net assets - consist of net assets with constraints placed on their use either by external groups or law.
- c. Unrestricted net assets - consist of all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

In the fund financial statements, governmental funds report reservations of fund balance for amounts not available for appropriation or that are legally restricted by outside parties for use for a specific purpose. Designations of fund balances represent tentative management plans that are subject to change.

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1

Notes to Financial Statements

Note 2. Cash and Cash Equivalents

The following is a summary of cash and cash equivalents (carrying values) at December 31, 2009:

Demand Deposits	<u>\$ 1,948,907</u>
Total Cash and Cash Equivalents	<u>\$ 1,948,907</u>

These deposits are stated at cost, which approximates market.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of December 31, 2009, \$1,872,102 of the District's bank balance of \$2,122,102 was exposed to custodial credit risk. \$250,000 of deposits was secured by federal deposit insurance coverage, which was not exposed to custodial credit risk. The remaining deposits, which were exposed to custodial credit risk, were secured by the pledge of securities owned by the fiscal bank.

Under state law, deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

Note 3. Investments

As of December 31, 2009, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
Federal Home Loan Mortgage Corporation	2/10/10	<u>\$ 502,950</u>

Interest Rate Risk. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Risk. The investment security listed above is rated AAA.

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1**Notes to Financial Statements****Note 4. Capital Assets**

Capital assets activity for the year ended December 31, 2009, is as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Being Depreciated:				
Equipment and 911 System	\$ 3,573,887	\$ 40,902	\$ -	\$ 3,614,789
Building	581,192	-	-	581,192
Vehicles	72,135	47,424	(26,990)	92,569
Computers	87,242	11,944	-	99,186
Furniture	186,000	3,935	-	189,935
Leasehold Improvements	2,052,235	-	-	2,052,235
Total Capital Assets Being Depreciated	6,552,691	104,205	(26,990)	6,629,906
Less Accumulated Depreciation for:				
Equipment and 911 System	(2,035,440)	(277,010)	-	(2,312,450)
Building	(324,000)	(19,373)	-	(343,373)
Vehicles	(54,965)	(13,827)	26,990	(41,802)
Computers	(51,427)	(12,300)	-	(63,727)
Furniture	(76,674)	(26,421)	-	(103,095)
Leasehold Improvements	(269,182)	(133,565)	-	(402,747)
Total Accumulated Depreciation	(2,811,688)	(482,496)	26,990	(3,267,194)
Total Capital Assets Being Depreciated, Net	\$ 3,741,003	\$ (378,291)	\$ -	\$ 3,362,712

All depreciation expense was charged to the public safety governmental function.

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1

Notes to Financial Statements

Note 5. Certificates of Indebtedness

The District has a Series 2001 certificate of indebtedness due to a local bank. The District pays annual principal payments until June 1, 2011, and semiannual interest at an annual rate of 3.5%. The certificates are secured by the future revenues of the District.

The following is a summary of certificates of indebtedness transactions of the District for the year ended December 31, 2009:

Certificate of Indebtedness, Series 2001, Payable at January 1 st	\$ 480,000
Certificates Issued	-
Principal Payments	<u>(155,000)</u>
 Certificate of Indebtedness, Series 2001, Payable at December 31 st	 <u>\$ 325,000</u>

Future principal payments on the Certificates of Indebtedness, Series 2001 are as follows:

Year Ended December 31,	Principal	Interest	Total
2010	\$ 160,000	\$ 8,575	\$ 168,575
2011	<u>165,000</u>	<u>2,888</u>	<u>167,888</u>
Total	<u>\$ 325,000</u>	<u>\$ 11,463</u>	<u>\$ 336,463</u>

Note 6. Pension Plan

The District contributes to a cost-sharing, multiple-employer defined benefit pension plan administered by the Parochial Employees' Retirement System of Louisiana (the Plan). The Plan provides retirement, disability and death benefits to Plan members and beneficiaries. The Plan was established by the Louisiana Legislature as of January 1, 1953, by Act 205 of 1952. The system is administered by a Board of Trustees consisting of seven members. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to P.O. Box 14619, Baton Rouge, LA 70898-4619, or by calling 225-928-1361.

Any person who is a permanent employee of the District and works at least 28 hours per week is eligible to participate in the Plan. Members are entitled to a retirement benefit at or after age 60 with 10 years of creditable service, at age 55 with 25 years of creditable service, or at any age with 30 years of creditable service. The retirement benefit is generally 1% of the member's final compensation plus \$2 per month for each year of service credited prior to January 1, 1980, and 3% of final compensation for each year of service after that date.

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1

Notes to Financial Statements

Note 6. Pension Plan (Continued)

State legislation has established the obligations of the District and the employees for contributions at 12.25% and 9.5% of covered salaries, respectively. The District's contributions to the Plan for the years December 31, 2009, 2008 and 2007, were \$38,614, \$38,738, and \$34,394, respectively, equal to the required contributions for that year.

Note 7. Commitments

In 2009, the District completed its obligation to the St. Tammany Parish Sheriff set forth in the Inter-governmental Agreement signed May 12, 2003, whereby, the District reimbursed the Sheriff \$400,000 per year for the operation and maintenance of the 800MHz EDACS Communication System. In 2010, an addendum was signed by both parties to extend the EDACS Communications System Inter-governmental Agreement until June 30, 2011. In 2010 and 2011, the District will pay the Sheriff \$400,000 and \$200,000, respectively.

On July 11, 2007, the District entered into inter-governmental agreements with the St. Tammany Parish Sheriff, the City of Covington, the City of Mandeville, the City of Slidell, and the Town of Pearl River, whereby the District would pay an amount to help offset their 911 call taker expense. The agreement calls for a five percent (5%) per annum increase in the fee during the term of the agreement. The term of this agreement is five years from the date of execution. After five years, an automatic renewal will follow unless there is an objection from either party. In 2009, the District's call taker expense totaled \$780,816.

During the year ended December 31, 2004, the District entered into an inter-governmental agreement with the St. Tammany Parish Council, whereby the District would have use of a portion of a Parish building. This agreement shall begin on May 1, 2004 for a period of four years. The District has the option to renew for an additional ten four-year periods. The agreement calls for the District to pay for 30% of the renovations to the building. Also, the District will pay monthly its portion of the operating costs of the building.

On May 21, 2007, the District entered into an inter-governmental agreement with St. Tammany Parish Fire Protection District No. 12 (Fire District 12), whereby the District will pay Fire District 12 an annual sum of \$300,000 for providing dispatchers to respond to E-911 calls reporting a fire or the need for emergency medical assistance. On December 31, 2009, an addendum to the aforementioned agreement was made and entered into by both parties to increase the fee payable by the District by 5%. This increase is limited to the calendar year 2010.

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1

Notes to Financial Statements

Note 8. Status of Wireless E-911 Implementation

The following is a summary of revenues derived from wireless service charges and how such funds were expended in the year ended December 31, 2009:

Total Funds Received from Wireless Service Charges	\$ 1,836,379
Expenditures Made Solely for Wireless 911	\$ 6,460
Portion of Total Expenditures Attributable to Wireless 911	\$ 2,306,789

Note: The expenditures attributable to wireless 911 calls are calculated using a percentage of wireless 911 calls to total 911 calls (including non-wireless calls)

In 2004, the District completed their upgrade to Phase II service and cancelled all Phase I agreements. The District did not enter into any Phase II agreements; therefore they are no longer reimbursing wireless carriers for their expenses.

Note 9. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2009, the District carried insurance through various commercial carriers to cover all risks of loss. The District has no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

REQUIRED SUPPLEMENTAL INFORMATION (PART II)

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1
Schedule of Revenues, Expenditures and Changes in Fund
Balance - Budget and Actual - General Fund
For the Year Ended December 31, 2009

	Budget			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues				
Line Income				
Cellular	\$ 1,850,000	\$ 1,870,000	\$ 1,836,379	\$ (33,621)
Land Line	1,500,000	1,520,000	1,455,233	(64,767)
Voice Over IP	20,000	18,000	19,417	1,417
Investment Earnings	50,000	9,000	8,207	(793)
FEMA Reimbursement	10,000	10,000	10,352	352
Miscellaneous Revenue	2,000	22,000	22,943	943
Total Revenues	3,432,000	3,449,000	3,352,531	(96,469)
Expenditures				
Public Safety				
911 System	2,265,300	2,168,300	2,182,468	(14,168)
Personnel	445,000	425,000	418,168	6,832
General	193,000	169,000	158,087	10,913
Debt Service				
Principal	155,000	155,000	155,000	-
Interest	14,000	14,000	14,087	(87)
Capital Outlay	285,000	105,000	104,205	795
Total Expenditures	3,357,300	3,036,300	3,032,015	4,285
Net Change in Fund Balance	\$ 74,700	\$ 412,700	320,516	\$ (92,184)
Fund Balance, Beginning of Year			2,591,007	
Fund Balance, End of Year			\$ 2,911,523	

OTHER SUPPLEMENTAL INFORMATION

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1

**Schedule of Governing Board
December 31, 2009**

<u>Board of Commissioners</u>	<u>Compensation</u>
Tom Buell 1870 US Highway 190 Mandeville, LA 70448 985-626-9711	\$ 900
John Evans 77223 Roubion Road Folsom, LA 70437 985-626-3641	750
John O'Neil 510 East Boston Street, Suite 100 Covington, LA 70433 985-898-2987	-0-
Earl Gorondonna 645 Coffee Street Mandeville, LA 70448 985-626-5406	600
Freddy Drennan 2112 Sgt. Alfred Drive Slidell, LA 70458 985-646-4285	675
Jim Laurent P.O. Box 273 Lacombe, LA 70445 985-882-5108	975
Marlin Peachey 806 Harmony Lane Mandeville, LA 70471 985-898-2722	975
Chris Canulette P.O. Box 628 Covington, LA 70434 985-290-6751	-0-



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Commissioners
St. Tammany Parish Communication District No. 1
Covington, Louisiana

We have audited the financial statements of the governmental activities and the major fund of St. Tammany Parish Communication District No. 1 (the District), a component unit of the St. Tammany Parish Council, as of and for the year ended December 31, 2009 which collectively comprise St. Tammany Parish Communication District No. 1's basic financial statements and have issued our report thereon dated May 6, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit we considered St. Tammany Parish Communication District No. 1's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether St. Tammany Parish Communication District No. 1's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the governing board and management of the District and the Louisiana Legislative Auditor, and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.



A Professional Accounting Corporation

May 6, 2010